

## Message Text

UNCLASSIFIED

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70

ACTION NEA-16

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 PA-04

PRS-01 USIA-15 CIAE-00 COME-00 FRB-03 INR-11 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 L-03 DRC-01 /156 W

----- 017018

R 171255Z JUL 74

FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC 2741  
USDOC WASHDC

UNCLAS NEW DELHI 9542

FOLLOWING TEL SENT NEW DELHI INFO CALCUTTA AND MADRAS FROM  
BOMBAY JULY 17, 1974, REPEATED TO YOU FOR INFO: QUOTE

UNCLAS BOMBAY 1613

E. O. 11652: N/A

TAGS: EFIN

SUBJ: AMENDED DIVIDEND ORDINANCE CRIPPLES STOCK MARKET

REF : BOMBAY 1527

1. IN RARE PUBLIC STATEMENT, J.R.D. TATA TERMED THE  
RECENT AMENDMENT TO GOI DIVIDEND FREEZE ORDINANCE "TOTALLY  
DISASTROUS". TATA ASSUMED THAT THE GOVERNMENT "IS NOT  
ADEQUATELY INFORMED" OF THE CONSEQUENCES OF THE AMENDMENT--  
WHICH STIPULATES PAYMENT OF DIVIDENDS AFTER TAXES--AND  
INDICATED THAT, IN HIS OPINION, THE AMENDMENT WILL HAVE A  
"DRASTIC IMPACT ON INVESTMENTS AND DIVIDENDS" IN INDIA.

2. STOCK EXCHANGE OPENED JULY 13 (AFTER BEING CLOSED ALL  
WEEK) TO OPERATE UNDER REGULATORY "FLOOR" PRICES FIXED BY  
EXCHANGE AUTHORITIES (SEVEN PERCENT BELOW JULY 4 CLOSING  
QUOTATION). NO BUSINESS WAS POSSIBLE, HOWEVER, SINCE  
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UNOFFICIAL QUOTATIONS FOR ACTIVE STOCKS WERE FAR BELOW THE

FLOOR PRICES. THE AMENDING ORDINANCE OF JULY 15 ALMOST KILLED THE MARKET. BLUE CHIPS HAVE DROPPED BY 30-35 PERCENT SINCE JULY 4 AND FURTHER DROPS PROBABLE. LIC AND UTI, TWO MAJOR MARKET OPERATORS, REPORTEDLY ARE OUT OF MARKET FOR TIME BEING.

3. ECONOMIC TIMES STUDY OF 105 SELECTED FIRMS REVEALED THAT THE BULK OF FIRMS QUALIFIED TO PAY TWELVE PERCENT DIVIDEND UNDER THE EARLIER FORMULA WILL BE AFFECTED ADVERSELY BY THE AMENDMENT. IT IS INTERESTING, HOWEVER, THAT SOME U.S. FIRMS INCLUDED IN THE STUDY APPARENTLY WILL NOT BE AFFECTED AS SERIOUSLY AS THEIR INDIAN COLLEAGUES:

FIRM	CURRENT DIVIDEND	PAYABLE PRE-TAX DIVIDENT	PAYABLE POST-TAX DIVIDEND
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V (IN PERCENTS)

POLYHEM			
(DOT CHEMICAL)	25.60	12.00	6.60
PFIZER	22.00	12.00	12.00
RICHARDSON-			
HINDUSTAN	20.00	12.00	8.00
WARNER-HINDUSTAN	18.00	12.00	12.00
KIRLOSKAR-CUMMINS	15.00	12.00	12.00
INTERNATIONAL			
TRACTORS	12.50	8.80	9.00
PHILLIPS CARBON			
BLACK	16.00	1.00	5.00
BANE			
UNQUOTE KREISBERG			

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NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, DATA, STOCKS (SECURITIES), PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974NEWDE09542  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740192-0260  
**From:** NEW DELHI  
**Handling Restrictions:** n/a  
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**Line Count:** 94  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** BOMBAY 1527  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** izenbei0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 OCT 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02 OCT 2002 by ThomasVJ>; APPROVED <17 JAN 2003 by izenbei0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** AMENDED DIVIDEND ORDINANCE CRIPPLES STOCK MARKET  
**TAGS:** EFIN, IN  
**To:** STATE COM  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005